

# Payment Error Rate Measurement (PERM)

## What is PERM?

The PERM program is required by the federal Centers for Medicare and Medicaid Services (CMS) to comply with the Improper Payments Information Act of 2002. The purpose of the program is to examine the accuracy of Medicaid and the Child Health Plan *Plus* (CHP+) programs' eligibility determinations and claims payment to ensure that the Department only pays for appropriate claims.

## Why is PERM required?

- PERM is required by CMS pursuant to the Improper Payments Information Act of 2002 (IPIA; Public Law 107-300).
- Medicaid and CHP+ are identified as programs at risk for significant improper payments by the U.S. Office of Management and Budget (OMB).
- CMS has to report the improper payment error rate and estimates of improper amounts to Congress.
- CMS has to submit the report on actions to reduce erroneous expenditures.

## PERM Process

- Colorado is one of 17 States randomly selected by CMS in 2007, also called Year 2 (October 1, 2006 - September 30, 2007).
- States are selected on a rotation basis once every three years.

## How is PERM implemented?

- Eligibility Review  
The Department's contractor, MAXIMUS, reviews eligibility determinations and calculates an accuracy rate.
- Claims Review  
CMS uses a national contracting strategy that involves three contractors to perform claims review:
  - The Lewin Group: a statistical contractor who provides claims to be reviewed and calculates Colorado's error rate.
  - Livanta, LLC: a documentation/database contractor who collects states' policies and medical records from providers.
  - HealthDataInsights, Inc. (HDI): a medical review contractor who performs medical record review and data processing review on the random sampled claims.

## What type of review is conducted on a claim?

- A claim is reviewed to determine if it was processed correctly, and the services were medically necessary, coded correctly and properly paid or denied.
- There are two types of claims review:
  - Medical review – examines the accuracy of the claim information to the documentation in the medical record.
  - Data processing review – examines the accuracy of the claims processing system.

### **Why are providers required to participate in PERM?**

Providers are required by section 1902(a)(27) of the Social Security Act and 10 C.C.R. 2505-10, Sec. 8.130.2.A to:

- Retain records necessary to disclose the nature and extent of services provided to recipients.
- Maintain records which fully substantiate or verify claims submitted for payment.
- Submit records to federal and state government upon request.

### **How will providers know if any of their claims have been selected?**

- Livanta, LLC will contact providers and request a copy of their medical records to support the medical review.

### **What do providers need to do?**

- Providers need to submit all requested medical record information within 60 calendar days of the request date, either electronically or hard copies.

### **What happens if the provider does not cooperate?**

- Any claims for which documentation is not received upon request by the government shall be an overpayment subject to recovery regardless of whether or not services have been provided.

### **What about maintaining patient privacy?**

- The collection and review of protected health information contained in individual-level medical records for payment review purposes is permissible by the Health Insurance Portability and Accountability Act (HIPPA) of 1996 and implementing regulations at 45 Code of Federal Regulations, parts 160 and 164.

### **What happens if there is an error finding in medical review?**

- HDI will notify the Department about the error and the Department has the option to agree or disagree with HDI's findings.

### **What happens if the Department disagrees?**

- The Department can file a request for a Difference Resolution and providers may be contacted to assist in the Difference Resolution Process.

### **What if an error is confirmed?**

- States are required to return the Federal share of overpayments to CMS. The Department will pursue recoveries as part of the corrective actions according to applicable law and regulations.

### **Where can I find out more information?**

- Providers can go to the CMS website at <http://www.cms.hhs.gov/PERM/>.

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